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# Report on Vancouver Aboriginal Child and Family Services Society

## Ministry of Children and Family Development

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## Glossary

| | |
|---|---|
| CFCSA | *Child, Family and Community Service Act* |
| DEA | Delegation Enabling Agreement |
| FTE | full-time equivalent |
| MCFD or the ministry | Ministry of Children and Family Development |
| VACFSS or the agency | Vancouver Aboriginal Child and Family Services Society |

105-00893/

## Executive Summary

The Vancouver Aboriginal Child and Family Services Society (VACFSS or the agency) is a non-profit organization incorporated under the *Societies Act*. Its stated mission is to develop and implement integrated and culturally congruent services to aboriginal children and families.

Under the terms of a Delegation Enabling Agreement, signed with the Ministry of Children and Family Development in September 2001, the agency has the authority to deliver child and family services to aboriginal persons living in Greater Vancouver.

Ministry funding approached $1.9 million for the 2001 fiscal year and we estimate it will reach $2.1 million for fiscal 2002. However, provincial funding is expected to expand greatly over the next five fiscal years as more ministry services are devolved under the Delegation Enabling Agreement.

The purpose of the audit was to provide the ministry with an analysis of how ministry contract funding was used and with an assessment of the agency's financial and administrative controls. A summary of our conclusions is outlined below.

### Use of Funding

We were unable to conclude whether the funding was used in accordance with the requirements set out in the contracts because the contracts do not clearly define deliverables or clearly define how the funding is to be used. We noted, however, that VACFSS met all the full-time equivalent requirements except for the requirements under the Capacity Building Funding and the Mental Health Contracts. We also noted that general and administrative expenses exceeded both program expenditures and funding for Capacity Building and Infrastructure. We have recommended that the ministry review its contracts with VACFSS to ensure that deliverables are clearly defined and that administrative costs are at a reasonable level.

### Financial Controls

We found that VACFSS' internal financial controls are generally satisfactory for their current level of operations. However, as VACFSS increases its capacity, it will need to strengthen its controls by implementing increased segregation of duties and monitoring. We have recommended that VACFSS prepare program and consolidated budgets for the board's authorization and review and monitor actual spending in comparison to the budget and operational performance.

**Surpluses and Deferred Contributions**

VACFSS reported an accumulated surplus of $204,000 and deferred contributions of $335,000 at December 31, 2001. In light of these balances, we have recommended that the ministry review its funding levels to VACFSS and negotiate the use of any unearned revenue.

**Administrative Controls**

VACFSS is in a state of transition and is working on redefining its organization. Its focus in the past year has been on building capacity and infrastructure to help assimilate more programs and clients from the ministry. We have recommended that the agency document its policies, reporting relationships, and roles and responsibilities.

**Governance**

The agency has made a good start towards establishing a governance model, including documented By-laws, a Governance Manual, and a Human Resource Policies and Procedures Manual. An elected board of directors also meets regularly to discuss society business. However improvements to governance can be made in the financial monitoring and reporting areas.

Detailed observations, conclusions, and recommendations are included in the Comments and Recommendations section of this report.

We would like to thank the management and staff of VACFSS and the ministry for their assistance and co-operation during the course of this audit.

David J. Fairbotham
Executive Director
Internal Audit & Advisory Services

March 6, 2003

## Introduction

The Vancouver Aboriginal Child and Family Services Society (VACFSS) is an incorporated non-profit society based in Vancouver.

The formation of VACFSS began in 1988 as the Mamele Benevolent Society. Mamele had the mandate to develop child welfare and family support programs for urban aboriginal families. In 1992, the Mamele Benevolent Society was re-incorporated as the Vancouver Aboriginal Child and Family Services Society.

In 1996, after a series of community consultations, VACFSS received support from the aboriginal community to assume "designated status" and to provide advocacy services to families.

In 1999, VACFSS began negotiations with the then Ministry for Children and Families (MCFD or the ministry) that would enable the agency to deliver delegated services under the *Child, Family and Community Service Act* (CFCSA). In September 2001 the ministry and the agency entered into a Delegation Enabling Agreement (DEA), allowing the agency to provide child and family services allowed for under the CFCSA, including Part 5, to aboriginal persons in the Greater Vancouver Area.

The ministry currently provides approximately $2 million in annual funding to the agency through 11 different contracts or component contracts. Ministry contracts are aimed at the delivery of child and family support programs and at building capacity and infrastructure within the agency. Capacity and infrastructure funding is deemed necessary to allow the agency to meet the current and planned devolution of ministry services under the DEA. Ministry funding is anticipated to approach nearly $18 million by the time services are completely devolved to the agency in the coming years.

Internal Audit & Advisory Services routinely performs audits of societies that hold contracts with the ministry.

## Purpose

The purpose of the audit was to provide the ministry with an analysis of how contract funding was used and with an assessment of the society's financial and administrative controls.

## Audit Scope and Approach

The scope of the audit included an examination of:

- the society's financial practices to assess:
  - how VACFSS used ministry contract funding, including whether it was used in accordance with the requirements set out in its contracts with the ministry and how it related to the organizational structure of the society;
  - whether financial controls are functioning at VACFSS to produce complete, accurate, authorized transactions, financial records, reports and budgets by program area; and
  - the composition of VACFSS's deferred revenue and surplus balances and reconcile those balances to contract funding and agency service delivery.
- the society's organizational structure to assess whether:
  - administrative controls, including policies, reporting relationships, definitions of responsibilities, and monitoring activities are established; and
  - the society has a governance model that delineates the society authority, legal status, accountability, conflict of interest and the roles of key parties.

Our audit focused primarily on current practices and the 2001 and 2002 fiscal years. For the purposes of identifying financial trends, we also reviewed financial reporting for the 1998/1999 and 1999/2000 fiscal years.

To the fullest extent possible, and with the society's permission, we relied on a review of the society's external auditor's working papers, including internal financial work papers prepared by VACFSS, to increase our efficiency and reduce the impact of this audit on agency management and staff.

## Comments and Recommendations

### 1.0 Use of Funding

**Objective**

We reviewed ministry contract funding to VACFSS to determine whether the funding was used in accordance with the contracts' requirements and how contract funding relates to the organizational structure of the agency.

**Conclusion**

We found that, for the most part, VACFSS accounts for its activities in line with the programs and funding streams defined within the contracts. However, we were unable to conclude whether the funding was used in accordance with the requirements set out in the contracts as the contracts did not clearly define deliverables or clearly define how the funding was to be used.

We noted that VACFSS met all the full-time equivalent (FTE) requirements where specified under the contracts, except for the requirements under the Capacity Building Funding and the Mental Health Contract.

The ministry funds VACFSS for non-program general and administrative costs under the Capacity Building and Infrastructure Contracts. It was not clear how much of an allowance for indirect costs the other contracts include. VACFSS' spending on general and administrative items exceeds both program expenditures and funding for Capacity Building and Infrastructure.

### 1.1 Accounting for Funds

The ministry provides contract funding for each of the programs that VACFSS operates. Agency operated programs and projects include:

- Family Support Vancouver/Richmond;
- Family Support Network 2;

- Family Support Burnaby;
- Family Advancement;
- Aboriginal Guardianship;
- Mental Health Worker;
- Cultural Worker;
- First Nations Social Worker;
- Aboriginal Strategic Plan Support;
- Capacity Building; and
- Infrastructure Building (General and Administration).

VACFSS has set up its accounting system to separately track each contract funding stream.

We found that the agency's current and the proposed organizational structures are aligned with the contracts and programs that VACFSS administers and is planning to administer in the coming fiscal year.

## 1.2 Contract Funding

We found that while the contracts between the ministry and VACFSS include a description of services to be delivered with the funding, they do not include specific, measurable deliverables such as outputs or outcomes. Therefore, we were unable to conclude whether contract funding was used in accordance with contract requirements.

Some contracts, however, specified the number of FTEs funded. Also, the Infrastructure Costs and Capacity Building contracts included budgets. Where FTEs were specified in the contract, we assessed whether the agency used the contract funds to hire the specified FTEs. We also compared the agency's total general and administrative expenses to program expenditures and to funding for Capacity Building and Infrastructure.

### 1.2.1. Contract Deliverables

We noted that, the contracts do not include clearly defined and measurable program outputs or outcomes. Further, most program contracts do not include detailed expenditure budgets. Clearly defined, measurable contract deliverables would help ensure that both the ministry and VACFSS have a common understanding of the expected services, would assist VACFSS to demonstrate that it is meeting contract requirements and would provide the ministry with specific information for use in monitoring the contracts. Detailed program budgets would further support VACFSS and the ministry in ensuring that resources are aligned with contract deliverables.

(1) **We recommend that the ministry and the agency document clearly defined and measurable deliverables in the contracts and link these deliverables to program budgets.**

*Agency Comments:*

*We agree with the auditor's recommendation of documenting clearly defined and measurable deliverables in the contracts and that they should be linked to program budgets.*

*Ministry Comments:*

*The ministry does agree that contract deliverables have been weak due to the rapid expansion of VACFSS services and the piecemeal approach to funding.*

*VACFSS contracts will now be broken into three components:*

- *Infrastructure Funding,*
- *Delegated FTE's – in relation to the delegated work they will be undertaking, and*
- *Non-Delegated Supportive FTE's.*

*VACFSS will be expanding its scope and budget, as they increase the delegated child protection services work that is currently being done by ministry staff. As such, future contract renewals will have an increasing emphasis on outputs, outcomes, and clearly defined deliverables that are measurable, and will be linked to each program and its funding. This will require that the contracts will be modified repeatedly; with the intention of enhancing the deliverables as well.*

### 1.2.2 FTEs Funded

The contracts between VACFSS and the ministry for the following programs specify a number of FTEs to be hired with the contract funds:

- Family support Vancouver/Richmond Program;
- First Nations Social Worker (Designation) Program;
- Mental Health Worker Program
- Family Support Burnaby Program
- Aboriginal Guardianship Program
- Infrastructure Project;
- Capacity Building Funding 2000; and
- Aboriginal Strategic Plan Project.

We found that VACFSS has met all the FTE requirements, except for the requirements under the Capacity Building Funding and the Mental Health Contracts.

Capacity Building FTEs

VACFSS did not hire all the positions funded in the Capacity Building contract. Also, VACFSS did not purchase the Case Management System specifically funded $20,000 by this contract. The following table summarizes the contract labour details and summarizes whether VACFSS met the related terms of the contract.

| Details of Labour, as per the Contract | Budgeted Salary and Benefits | Actual Results Fiscal 2000/01 | Actual Results, Nine Months Ended December 31, 2001 |
|---|---|---|---|
| Delegation Coordinator | | The Assistant Executive Director performed this role | The Director of Program Development performed this role. |
| Director of Program Development | | Position vacant | Position vacant |
| Community Development Manager | | Position vacant | Position vacant |
| Executive Administrative Assistant | | Position filled | Position filled |
| Total funded salaries and benefits for Capacity Building for fiscal 2000/01 and fiscal 2001/02 | $187,630 | | |
| Computer Technician (contract services) | $ 20,000 | Contract services acquired in fiscal 2000/01, costing $2,517 and $17,327 in the nine months ended December 31, 2001 | Contract services acquired, costing $13,850 |

The table indicates that VACFSS was not able to fulfil the labour requirements of the Capacity Building contract. The cost of the unfilled positions amounted to $79,909 for 2000/01 and $59,812 for the nine months to December 31, 2001.

We note, however, that VACFSS accounted for both the vacant staff positions and the Case Management System by deferring $154,706 of the Capacity Building funding received in fiscal 2000/01. This deferral appears reasonable. Also, VACFSS has included the Director of Program Development and Community Development Manager positions on future organization charts, which indicates an intention to fill those positions. However, the Delegation Co-ordinator was not noted on the draft VACFSS Organizational Chart as at December 6, 2001.

VACFSS deferred Capacity Building funding totalling $90,000 for the nine months ended December 31, 2001. This deferred amount also appears reasonable as the unused funded amount for salaries and benefits totals $60,963.

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(2) **We support VACFSS in deferring sufficient revenue to account for unfulfilled commitments under the Capacity Building contract.**

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*Agency Comments:*

*VACFSS has in the past deferred the revenue to account for unfulfilled commitments. For the year ended March 31, 2002, there was an exception and these funds were rolled into surplus, but only after consultation with the Vancouver/Richmond Region of whom we are presently in negotiations with on the appropriate use of any surplus funds.*

*We also wish to take this opportunity to advise you in reference to the comment "...VACFSS did not purchase the Case Management System specifically funded $20,000 by this contract". In fact VACFSS is in process of establishing a payment system and the payment system will be complemented by a case management system which will be purchased this current fiscal year.*

*IAAS Comment*

*We believe that unfulfilled commitments should be recorded as unearned revenue. However, we understand that the agency and the ministry have agreed to record deferred revenues at March 31, 2002 as surplus so that their use is not limited by the terms of the contract. Given that these funds will be used for Capacity Building and that the agency and the ministry will agree on the use of these funds, we accept this action.*

*We note that, subsequent to our fieldwork, VACFSS used the entire computer technician funding of $20,000 for fiscal 2001/02*

Mental Health Contract

VACFSS received funding to hire a mental health worker, effective October 1, 2000. VACFSS employed a mental health worker from October 1, 2000 as funded; however, this employee left in October 2001 leaving the position vacant for November and December 2001. The Mental Health Worker is funded at per month for fiscal 2001/02, including the wage lift. We believe the Mental Health Worker funding should be recorded as unearned revenue for each month that the position is vacant. This unearned revenue would total for November and December 2001. This treatment would be consistent with VACFSS' deferral at December 31, 2001 of $91,680 of revenue from the Vancouver Richmond Health Board related to the Mental Health program.

(3) **We recommend that VACFSS record unearned revenue of for each month that the Mental Health Worker position is vacant.**

*Agency Comments:*

*We disagree with the recommendation that the unearned revenue be deferred while the mental health position was vacant. We have rolled those monies into surplus and those surpluses are in current negotiations with the ministry Vancouver/Richmond Region for the use that will help build capacity and directly compliment our mental health program during the current fiscal year. It is keeping with our Integrated Service approach to our families in need.*

*IAAS Comment*

*We believe that the unearned revenue for the Mental Health Worker, technically, should be deferred and not recorded as surplus. However, because the agency and the ministry are negotiating the use of these funds for the agency's integrated services, which includes mental health, we accept the agency's action.*

### 1.2.3 Administrative Expenditures

Administrative expenditures amounted to $880,904 in fiscal 2001 and $932,748 for the nine months ended December 31, 2001. These expenditures represent 105 percent and 125 percent of the agency's program expenditures for the respective periods. Administrative expenditures are summarized in Schedule A. Further detail is provided in Schedules B and C.

The ministry has contracted with VACFSS for Capacity Building and Infrastructure. These contracts represent 50 and 46 percent of the program funding for fiscal 2001 and the nine months to December 31, 2001 respectively.

Excluding Capacity Building and Infrastructure, administrative expenditures represented 16 percent and 18 percent of the program expenditures for fiscal 2001 and the nine months to December 31, 2001 respectively. Although not part of the contracts, Contract Reform guidelines suggest 10 percent of program funding is a reasonable level for administrative expenditures.

The agency and the ministry need to review the administrative expenditures to ensure they are at an appropriate level. Part of this review could include clearly specifying the expectations for the Capacity Building and Infrastructure funding. General expectations are set out in the January 24, 2001 draft "Mandate - Capacity Building".

**(4) We recommend that VACFSS and the ministry review the administrative expenditures to ensure they are at an appropriate level.**

*Agency Comments:*

*We support your recommendation and we will review the administrative expenditures. We are confident that these expenses will come more in line with expected levels, as we take on more Delegated Services and residential and non-residential contracting.*

*Ministry Comments:*

*Due to the history of how the contracts were implemented, the allocations may not have been accurate.*

*As part of the contract conversion to three components, the allocation of administrative expenditures has been negotiated and more realistically specified.*

## 2.0 Financial Controls

**Objective**

We reviewed the agency's system of internal financial controls to assess whether they are functioning to produce complete, accurate, and authorized transactions, financial records, reports, and budgets by program area.

**Conclusion**

The internal financial controls that VACFSS has in place are satisfactory for the most part. Controls over expenditures, including purchase authorization, dual cheque signing, and bank reconciliation, are sufficient to ensure the completeness, accuracy, and authorization of expense transactions. However, better financial budgeting and monitoring are required.

While the existing controls are sufficient for the agency's current capacity, controls will need to be strengthened as the agency expands to its expected capacity. The Finance Director is responsible for monitoring all financial activities. As the agency grows, the Finance Director will be increasingly challenged to meet these responsibilities. The agency will need to provide additional segregation of duties and supervisory review to ensure the completeness, accuracy and appropriateness of transactions. Also, as the capacity expands, the financial budgeting and monitoring, including board participation, will take on increased importance.

## 2.1 Financial Budgets and Monitoring

Just prior to the start of our fieldwork in February 2002, the board of directors requested that management begin to create budgets for each program area. Previously, the agency did not develop program or consolidated budgets due in part to the changes at the board and management level. This budget development is expected to take a few months to complete. In the absence of program and consolidated budgets, it is not clear that the board has authorized management's spending. Further, the board and management are not able to effectively monitor the financial affairs of the agency and to identify potential anomalies.

The development of budgets and the comparison of budget to actual results will help the agency by:

- aligning resources with program requirements;
- helping identify shortfalls in resources;
- supporting financial accountability through board approval and reporting;
- enabling financial monitoring through comparison of actual results to budgeted and explanation of variances; and
- allowing the society to identify and respond to financial pressures.

In order to provide financial accountability and promote good fiscal administration, agency management should develop program and consolidated budgets for the board's scrutiny and approval. We suggest that these budgets be linked to the agency's operational requirements and performance measures as a means of assessing the appropriateness of the planned expenditures. Further, management should regularly review actual spending in comparison to the budget and operational results, and follow up on variances. This comparison should also be reported to the board for its review and approval, to ensure fiscal accountability.

(5) **We recommend that management:**

- **continue to develop program and consolidated budgets for the board's review and authorization;**
- **regularly monitor actual spending in comparison to the budget and operational performance;**
- **address all budget variances; and**
- **regularly report financial results to the board to enable the board to monitor the agency's financial performance.**

*Agency Comments:*

*Thank your for your recommendation, we will continue to develop program and consolidated budgets for the board's review and authorization; regularly monitor actual spending; address all budget variances; and report financial results to the board to enable the board to monitor the agency's financial performance.*

## 3.0 Surpluses and Deferred Contributions

**Objective**

We reviewed the composition of VACFSS's deferred revenue and surplus balances over the twenty-one month period ended December 31, 2001 and reconciled these balances to contract funding and agency service delivery.

**Conclusion**

The agency reported an accumulated surplus of approximately $204,000 at December 31, 2001. The bulk of this surplus comes from the Family Support and Aboriginal Guardianship Programs.

At March 31, 2001 the agency held $54,996 and $65,625 of surplus in reserve, related to the Family Support - Vancouver/Richmond and Aboriginal Guardianship Programs respectively. These amounts were funded for staff; however, the agency seconded ministry staff instead.

At December 31, 2001 the agency held approximately $335,000 in deferred contributions relating to operating funds, the bulk of which comes from the Capacity Building program funding. In our view these deferred contributions are unearned revenue.

## 3.1 Surpluses

VACFSS recorded a total surplus to December 31, 2001 of $203,836. This surplus has accumulated over time as follows:

| | |
|---|---|
| Surplus accumulated prior to April 1, 2000 | $147,237 |
| Surplus recorded for the year ended March 31, 2001 | $85,865 |
| Deficit recorded for the 9 months ended December 31, 2001 | ($29,266) |
| Total | $203,836 |

The bulk of the surplus comes from the Family Support Program ($184,505) and the Aboriginal Guardianship Program ($149,324). Program surplus or deficit balances are outlined in Schedule D attached to this report.

The contracts between the ministry and the agency define a surplus as funds accumulated by the agency due to their ability to run their programs efficiently. Unearned revenue is the accumulation of funds that have not been used for the purposes specified in the contract. When the agency accumulates unearned revenue, it is required to either pay the money back to the ministry or face a reduction in any future fund transfers from the ministry.

The agency believes all their recorded surpluses were gained through the efficient delivery of their programs. However, without clearly defined service levels in the contracts, it is difficult to determine whether the $204,000 in surpluses was accumulated through efficiencies gained within program delivery or because services were delivered at lower than expected levels.

The size of the surpluses, taken together with the high administration costs in section 1.2.2, the deferred contributions discussed in section 3.3 and the agency's assertion that it is fully delivering its programs, indicates that the funding to the agency may be high. We suggest that the ministry and VACFSS review the contract funding to VACFSS in relation to expected service levels.

**(6) We recommend that the ministry and VACFSS review the contract funding and link the funding to budgets and measurable deliverables included in the contracts.**

*Agency Comments:*

*We agree with your recommendation and we are currently reviewing the contract funding with the ministry to ensure links between funding and measurable deliverables.*

*Ministry Comments:*

*The ministry has reviewed with VACFSS the status and deliverables of the FTE's and positions included in the contracts.*

*The renewals of October 1, 2002 have been changed to reflect those positions that are currently being delivered and have been budgeted accordingly.*

*The ministry will require VACFSS to report on a timely manner any vacancies that exist and will negotiate the plans for the associated unearned revenue. In addition, future contract renewals will have an increasing emphasis on outputs, outcomes, and clearly defined deliverables that are measurable, and will be linked to each program and its funding. This will be documented accordingly.*

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## 3.2 Seconded Position Wages

At March 31, 2001, the agency held $54,996 and $65,625 of surplus in reserve, related to the Family Support - Vancouver/Richmond and Aboriginal Guardianship Programs respectively. The agency increased the respective reserve amounts by $34,839 and $51,426 for the nine months ended December 31, 2001. These amounts were funded for staff; however, the agency seconded ministry staff instead and the ministry continued to pay their salaries.

The agency indicated that the amount was verbally forgiven by the ministry and is therefore not repayable to the ministry. The ministry, however, believes that they must decide with the agency on how the monies for the seconded salaries will be spent. We could not find documentation to support either position. We suggest that the ministry and the agency work together to decide on how to deal with the unspent funding for the seconded salaries. Options include repaying the funds to the ministry or agreeing upon alternative uses for the funds.

(7) **We recommend that the ministry and the agency:**

- **work together to decide on how the unspent funding related to seconded salaries will be used; and**
- **document their decision.**

*Agency Comments:*

*We agree with this recommendation and we have met with the ministry to decide how this unspent funding related to the seconded salaries will be used and we have documentation to support this.*

*Ministry Comments:*

*The ministry acknowledges that there was an accumulation of funding for seconded staff.*

*With the October 1, 2002 renewals, seconded staff have been eliminated from the contracts.*

*The accumulated unearned revenue will be monitored and be used to offset voids in future infrastructure requirements during the expansion of VACFSS as they take on more of the delegated child protection work. Frequent meetings and documentation of such, take place between the ministry and VACFSS that detail the FTE and funding status. If the process of expansion for VACFSS is delayed/level of unearned revenue does not naturally decrease, the Ministry will look at reducing future payments until the amount is within 5% of total funding.*

## 3.3 Unearned Revenue

VACFSS records, as deferred contributions, funding received but against which no related expenses were incurred. These deferred contributions relate to either unused operating funds or unamortized portions of equipment and leasehold improvement acquired with restricted funds. Essentially, the deferred contributions that relate to operating funds are unearned revenue and these balances are drawn down in subsequent years as the funding is used.

As at December 31, 2001 and March 31, 2001, VACFSS recorded the following deferred contributions for operating costs (unearned revenue):

| | December 31, 2001 | March 31, 2001 |
|---|---|---|
| Mental Health Worker * | $ 91,680 | $ - |
| Capacity Building fiscal 2001/02 contract | 90,000 | - |
| Capacity Building fiscal 2000/01 contract | 102,062 | 129,670 |
| Capacity Building fiscal 1999/2000 contract | - | 41,238 |
| Head Start program | 5,000 | - |
| Funding for estimated increase to employee benefits based on CCSEA guidelines. | 46,569 | 46,569 |
| Total | $335,311 | $217,477 |

*Deferred contributions recorded for the Mental Health Worker relate to funding received from the Vancouver/Richmond Health Authority.

As noted above, the ministry contracts with VACFSS require that the agency either pay unearned revenue back to the ministry or face a reduction in future fund transfers from the ministry. The ministry has not requested repayment or reduced the funding to VACFSS for the deferred contribution amounts.

(8) **We recommend that the ministry negotiate the use of the deferred contribution amounts that relate to operating funds received from MCFD.**

*Agency Comments:*

*We agree with this recommendation and we are in process with the ministry in negotiating the use of the deferred contribution amounts.*

*Ministry Comments:*

*The ministry acknowledges that there is a significant deferred contribution with VACFSS, but that this funding will be needed in the next fiscal year.*

*The new Infrastructure Component for October 1, 2002 clearly identifies the actual positions and funding for VACFSS.*

*As VACFSS expands and takes on more of the delegated functions of child protection, their need for Infrastructure funding will also expand. This is approximately $711,300 to date, but is expected to reach $1,200,000 within the next 2 fiscal years. The existing deferred contribution will be used in addressing this funding need. If the process of expansion for VACFSS is delayed/level of deferred*

*contribution does not naturally decrease, the ministry will look at reducing future payments until the amount is within 5% of total funding.*

## 4.0 Administrative Controls

**Objective**

We reviewed VACFSS's organizational structure to assess whether administrative controls, including policies, reporting relationships, definitions of responsibilities, and monitoring activities are established.

**Conclusion**

VACFSS is in a state of transition and is working on redefining its organization. Its focus in the past year has been on building its capacity and infrastructure to help assimilate more programs and clients from the ministry. As a result, it has not been able to document or update its policies, reporting relationships, and roles and responsibilities.

We found that monitoring processes are in place within individual programs but not at the overall entity level.

### 4.1 Policies and Procedures

While human resources policies and procedures have been documented, program and financial policies and procedures remain undocumented. Currently, program and financial policy and procedure information is verbally circulated to program and administrative staff. As well, the agency relies on orientation sessions, hands on training, and regular meetings with program workers and managers to help ensure program and financial work is executed properly.

Verbal distribution of program and financial policy and procedure information increases the risk of miscommunication and creates the potential for inconsistent practices.

Documented policies and procedures would help:

- ensure that program policies and procedures are distributed throughout the entire organization;

- ensure that staff have the opportunity to access policy and procedure information at all times;
- prevent the loss of valuable program and procedural information in situations where knowledgeable employees leave the organization;
- maintain corporate knowledge and continuity;
- ensure consistent understanding of management's expectations;
- ensure consistent practices and compliance with standards; and
- link practices to organizational goals.

While the agency believes that its Human Resource Policy and Procedures Manual remains current, it has not reviewed it to ensure it is consistent with the recently signed collective agreement. We believe such a review would be worthwhile to help ensure compatibility between the manual and the new collective agreement.

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(9) **We recommend that VACFSS:**

- **review its human resource policies and procedures to ensure they are consistent with the new collective agreement; and**
- **document program and financial policies and procedures spanning the entire organization.**

---

*Agency Comments:*

*We support your recommendation that VACFSS review policy and procedure manual.*

*(a) We have established a Labour Management Committee that is in the process of reviewing the collective agreement and human resource policies to ensure consistency and to clarify incongruities.*

*(b) We have an understanding with staff that all benefits included in the Collective Agreement apply and benefits that exceed the Collective Agreement that are included in the Human Resources Policy and Procedures Manual may apply by discretion of the program area and the Executive Director. The Agency is conscientious to provide the agency staff with*

*the minimum benefit and, in individual circumstances, providing greater benefits available in the Human Resources policy if applicable.*

*We support your recommendation that VACFSS document program and financial policies and procedures spanning the entire organization.*

*(a) The Director of Finance is tasked with the responsibility of reviewing financial policy and documenting procedures.*

*(b) VACFSS has incorporated a Policy Analyst within the organizational chart and we are awaiting infrastructure funding from the ministry to fulfill the capacity of documenting policy and procedures within the program areas.*

## 4.2 Reporting Relationships and Definitions of Responsibilities

Job descriptions, documented roles and responsibilities, and related reporting relationships were not completed and approved for most staff positions. While the agency recognizes the importance of defining and documenting the roles and responsibilities and reporting relationships they wish to establish, these have yet to be put in place.

The agency recently hired a Director of Human Resources to develop hiring policies, job descriptions, position qualifications, and pay levels, as well as implementing occupational safety and health regulations. The agency is also in the process of developing strategies for recruiting necessary staff for the expansion and addition of programs.

**(10) We recommend that VACFSS ensure that reporting relationships and roles and responsibilities are defined and documented within the job descriptions being developed.**

*Agency Comments:*

*We agree with this recommendation and include reporting responsibilities within the letter of offer and will ensure that Job Descriptions also include reporting relationship roles and responsibilities.*

## 4.3 Monitoring Activities

The agency has established practices to monitor operational activities within individual programs. Program managers and supervisors report program activities to a program director on a regular basis. The program director monitors the overall delivery of agency programs using statistical and operational reports to help ensure effective program delivery.

However, as mentioned in section 2.1 of this report, the monitoring of financial activities cannot be fulfilled until the agency has prepared program and consolidated budgets.

## 5.0 Governance

**Objective**

We reviewed the agency's governance model to assess whether it establishes their authority, legal status, accountability, conflicts of interest, and the roles of key parties.

**Conclusion**

The society's Certificate of Incorporation, By-laws, and standing with the Registrar of Companies support that the society is operating as a legal entity. In addition, with the signing of the Delegation Enabling Agreement in September 2001, the society has the delegated authority to provide services under *the Child, Family and Community Service Act*.

The society has an established board of directors that regularly meets to discuss society business, and has documented policies covering governance roles and responsibilities, accountability, and conflicts of interest. In our opinion, the board and society management can advance their governance practices by improving financial monitoring and the reporting between management and the board.

## 5.1 Legal Status and Authority

The agency's legal status to provide services is established within their:

- Certificate of Incorporation;
- Good standing with the Registrar of Companies; and
- Constitution and By-laws.

A Delegation Enabling Agreement (DEA), signed in September 2001 by the society and the ministry, delegates ministry responsibility and legislative authority to the society under the *Child, Family and Community Service Act*.

The society has a clear mandate and mission as contained within the DEA and within their Constitution and By-laws.

## 5.2 Management and Board Governance

The society has an elected board of directors that meets at least once a month to discuss society business. Minutes of these meetings are maintained. The society also holds regular weekly meetings between senior society management and society board members in order to provide accountability.

Governance roles and responsibilities, accountability requirements, and conflict of interest policies are documented within the society's By-laws, Governance Manual, and Human Resource Policies and Procedures Manual.

However, while the board plays an active role in monitoring the operations of the agency, the level of financial monitoring can be improved, as noted in section 2.1 of this report. Therefore, while we conclude that the agency has made a good start towards a governance model, we believe improvements in financial monitoring and reporting will help ensure that management and the board are obtaining the necessary information to support informed business decisions.

**Schedule A**
**VACFSS**
**Summary of Administrative Expenditures and Funding**

| | Year to March 31, 2001 | | | | Nine Months to December 31, 2001 | | | |
|---|---|---|---|---|---|---|---|---|
| | Funding | | Expenditures | | Funding | | Expenditures | |
| | $ | % of program costs | $ | % of program costs | $ | % of program costs | $ | % of program costs |
| | | | | | | | | |
| Capacity Building | 323,633 | | 132,997 | | 242,725 | | 149,382 | |
| Infrastructure | 297,695 | | 615,040 | | 249,821 | | 645,418 | |
| *Sub-total* | *621,328* | *50%* | *748,037* | *90%* | *492,546* | *46%* | *794,800* | *106%* |
| Other | 0 | 0% | 132,867 | 16% | 0 | 0% | 137,948 | 18% |
| Total Administration | 621,328 | 50% | 880,904 | 105% | 492,546 | 46% | 932,748 | 125% |
| Program | 1,245,313 | | 835,013 | | 1,080,470 | | 747,686 | |
| *Total* | *1,866,641* | | *1,715,917* | | *1,573,016* | | *1,680,434* | |

## Schedule B
**VACFSS**
**Total General and Administrative Costs, in Comparison to the Funded Amounts**
**For the Year Ended March 31, 2001**

| | | |
|---|---|---|
| **General and Administrative Funding** | | |
| Capacity Building Funding | $323,633 | |
| Infrastructure Funding | 297,695 | |
| Overhead allocation from program contracts* | 113,210 | |
| Total | | $734,538 |
| **Total General and Administrative Expenditures**** | | |
| Salaries | $409,146 | |
| Benefits | 28,542 | |
| Contract Services | 69,303 | |
| Total Labour | $506,991 | |
| Accounting/legal | | |
| Advertising | | |
| Annual general meeting | | |
| Auto Expense (Insurance, mileage, parking) | | |
| Board expenses | | |
| Capital purchases | | |
| Costs of hiring | | |
| Equipment leasing | | |
| Insurance | | |
| Office supplies | | |
| Other | | |
| Postage/Courier | | |
| Program Team Building | | |
| Public Relations | | |
| Rent | | |
| Repairs & Maintenance | | |
| Staff meals and relations | | |
| Telephone/fax | | |
| Training | | |
| Travel | | |
| Total indirect costs | $373,913 | |
| Total General and Administrative expenditures | | 880,904 |
| **Variance** | | $(146,366) |

* - The program contracts do not specify an allowance for overhead. For the purposes of this analysis, we have assumed a 10% allowance. The allowance is calculated as 10/110 of program contract funds.

** - Total Capacity Building and Infrastructure Project expenditures, including overhead amounts allocated to programs.

## Schedule C

**VACFSS**
**Total General and Administrative Costs, in Comparison to the Funded Amounts**
**For the Nine Months Ended December 31, 2001**

| | | |
|---|---|---|
| **General and Administrative Funding** | | |
| Capacity Building Funding | $242,725 | |
| Infrastructure Funding | 249,821 | |
| Overhead allocation from program contracts* | 98,225 | |
| Total | | $590,771 |
| **Total General and Administrative Expenditures**** | | |
| Salaries | $375,010 | |
| Benefits | 36,183 | |
| Casual labour | 6,935 | |
| Contract Services | 133,020 | |
| Total Labour | $551,148 | |
| Accounting/legal | | |
| Advertising | | |
| Annual general meeting | | |
| Auto expense (insurance, mileage, parking) | | |
| Board expenses | | |
| Capital purchases | | |
| Contract services - fund raiser | | |
| Costs of hiring | | |
| Equipment leasing | | |
| Insurance | | |
| Office/computer/program supplies | | |
| Other | | |
| Postage/courier | | |
| Program team building | | |
| Public relations/community service | | |
| Rent | | |
| Repairs & maintenance | | |
| Staff meals and relations | | |
| Telephone/fax | | |
| Training | | |
| Travel | | |
| Total indirect costs | $381,600 | |
| Total General and Administrative expenditures | | 932,748 |
| **Variance** | | $(341,977) |

* - The program contracts do not specify an allowance for overhead. For the purposes of this analysis, we have assumed a 10% allowance. The allowance is calculated as 10/110 of program contract funds.

** - Total Capacity Building and Infrastructure Project expenditures, including overhead amounts allocated to programs.

## Schedule D
**VACFSS**
**Surplus Balances by Program**

| Program | Surplus (Deficit) for the Nine Month Period ending Dec. 31, 2001 | Surplus for the year ended March 31, 2001 | Accumulated Surplus (Deficit) from Previous Periods | Total Surplus (Deficit) to Dec. 31, 2001 |
|---|---|---|---|---|
| Family Support - Vancouver/ Richmond and Network 2 Programs | 75,153 | 8,107 | 101,245 | 184,505 |
| Family Advancement Program | 6,546 | 7,342 | 0 | 13,888 |
| Cultural Awareness Program | (6,030) | 0 | 1,105 | (4,925) |
| First Nations Social Worker (Designation) Program | (10,164) | 0 | (38,382) | (48,546) |
| Mental Health Worker Program | 7,249 | 0 | 2,330 | 9,579 |
| Family Support - Burnaby Program | (9,057) | 2,229 | 0 | (6,828) |
| Aboriginal Guardianship Program | 51,033 | 48,769 | 49,522 | 149,324 |
| Infrastructure Project | (130,428) | 1,271 | 0 | (129,157) |
| Capacity Building 1999 | (9,081) | 0 | 24,974 | 15,893 |
| Capacity Building 2000 | 0 | 0 | 0 | 0 |
| Capacity Building 2001 | 3,343 | 0 | 0 | 3,343 |
| Aboriginal Strategic Plan Project | 2,051 | 18,147 | 6,443 | 26,641 |
| Integrated Services Team Program | (12,540) | 0 | 0 | (12,540) |
| Business Plan | (682) | 0 | 0 | (682) |
| Simon Fraser Project 1 | 242 | 0 | 0 | 242 |
| South Fraser Project 2 | 3,099 | 0 | 0 | 3,099 |
| **Totals** | **(29,266)** | **85,865** | **147,237** | **203,836** |